

September 27, 1962

MEMORANDUM FOR

THE PRESIDENT

SUBJECT: The Julius Klein Matter

In accordance with your instructions I have examined all available evidence regarding the activities of Mr. Julius Klein and his Public Relations Firm, as well as the status of the Senate Foreign Relations investigation.

1. Status of Foreign Relations Committee Investigation

The material which the Committee has accumulated is based in large part on the defection of two Klein employees -- Mr. Julius Epstein (author of the "Rheinische Merkur" story) and Mr. Harry Blake, Manager of the Klein office in New York. Though the sources, especially Epstein's, are thus tainted, there is sufficient documentary support to make the substantial part of their revelations plausible. It should be understood, however, that Mr. Epstein is a more extreme, and more free-swinging character than Mr. Klein.

On the basis of the material which the Foreign Relations Committee has obtained, Senator Fulbright has decided to go ahead on a more formal investigation of Mr. Klein and his firm. Several days ago he obtained the permission of a sub-committee (himself, Sparkman, Hickenlooper and Alken) to serve subpoenas for the files of Mr. Klein's three U. S. offices in Chicago, New York and Washington. The same sub-committee agreed, however, that this would not occur until after election.

The full scope of the information gathered by the Committee is known now only to Fulbright, Carl Marcy and Walter Pincus. They have had to proceed with extreme caution, both because of foreign policy repercussions and because of the latticework of friendships which Mr. Klein enjoys on and off the Committee.

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Over the past few years Mr. Klein has worked most directly with Senators Dodd, Javits, Scott, Keating, Dirksen, and Hruska. He has also had some association with Senators Humphrey, McFauver and Morse, in part because of his work on behalf of the Jewish War Veterans. He is quite close to Speaker McCormack and Congressman Celler in the House. Prior to his death, Senator Bridges was almost the leading member of the Klein stable. In all of his public activities, Klein is at pains to elaborate the bipartisan nature of his support and he is described in much of his literature as "a frequent consultant on Foreign Affairs to Members of Congress." The White House files also reveal that he has had support from several Senators for appointment to the President's Advisory Committee on Information.

2. Klein's Sources of Financial Support

There is no way of determining the exact amount or proportion of subsidy which Mr. Klein receives from German sources. What is clear is that an increasing proportion of his total income comes from Germany. How much of this is from the Government cannot be determined.

He also has separate German industrial accounts including perhaps eight to ten large firms. In addition, he has provided services for individuals such as for Dr. von Brentano during his visit to the United States in May. He also received at least small payment for Mr. Mende's visit, though this was managed largely by a competing firm. Over the years he has received a large cumulative sum for his work for Mr. Abs and others in connection with the assets question. Much of this payment was funneled through a group loosely described as the "Cologne group." Under probing by the Justice Department he now maintains that most of his payments from Germany are made to an account in the Deutsche Bank in Frankfurt.

Mr. Klein in his registrations with the Justice Department has refused to offer any further breakdown of his income and he describes his work for the German government only in the vaguest generalities. Recently he began the publication in German and English of a weekly newsletter called "Overseas Report." This newsletter was not properly labeled or identified until about a month ago. On an occasional basis he also

sends to his clients confidential special reports, including, for example, one this summer on the so-called Kestow Report prior to the story in the Chicago Tribune.

3. Klein's Principal German Contacts

There is no question that Klein's longevity as a German publicist derives from the personal support he has from the Chancellor and from his State Secretary, Mr. Globke. He has relatively few direct links in the Foreign Office.

Indeed, the German Embassy has used another public relations firm, headed by Mr. Roy Bernard, to handle the more normal type of advertising and information work. There is no question, however, that Klein has been close to the new Ambassador, Mr. Knappstein, ever since he was consul in Chicago. He is also close to the present German Consul, Federer, in New York and is well acquainted with most of the principal CDU leaders, especially Mr. von Brentano. He does not enjoy many ties in other German parties, though his relation with Mr. Mende is ambiguous. This makes it all the more likely that the SPD will exploit whatever revelations come to light about the most recent or previous episodes involving Mr. K. On balance, Mr. Klein's associations in Germany are heavily weighted to the Right. This is in turn reinforced by the associations he has with the German Language Press in America (mostly conservative) and with papers such as the Brooklyn Tablet and the Chicago Tribune.

4. Klein's Activities

Apart from the publication of his newsletters and confidential reports and the management of visits by Germans to this country, Mr. Klein, from the materials which have been acquired, appears currently to indulge in these further types of activities:

(1) One type is the enlistment of senators in the sponsorship of resolutions. This year he has worked reasonably hard with Senators Dodd and Scott to obtain Congressional pressure for a United Nations resolution calling for a free election in East Germany. In one of the letters which Scott sent to Klein on this matter he declares "I can assure you of my continuing interest in the problems brought about by the Administration on Berlin and its awkward handling of relations with West Germany." In this he also had consultations with the then German

... Mr. Huppert. Although nothing much has come of this in the United States, Klein employees then wrote articles in German publications praising this initiative and much was made of it in their discussions with officials in Bonn.

A second recent example was attempts by General Klein to obtain from General Eisenhower a repudiation of the paragraph in the Soviet note to the German Government of December 27, 1961, which referred to a supposed statement by President Eisenhower at Camp David that "if the Federal Republic had not been included in the armament race, she would undoubtedly have increased her economic potential and would have gained even more profitable positions in world trade, to the disadvantage of her NATO allies." Despite two requests, General Eisenhower could not be baited into making a personal statement, but General Klein attempted to make the most in Germany, of a relatively innocuous reply which was signed by Miss Whitman.

A third example was the "debate" on the Senate floor in May, staged by Senator Javits, Keating, and Dodd. This whole affair was orchestrated and largely composed by the Klein firm to harmonize with von Brentano's visit. Also, in recent weeks General Klein got quite deeply involved in the Rostow report affair, though here the events show that his employees were rasher than he himself. Klein tried to put some restraint on Mr. Epstein and others.

Finally, there is the more serious recent episode on which you have been briefed fully by Under Secretary Ball and Mr. Kayser.

What is apparent throughout all these episodes - and what most properly concerns this government - is the fact that almost all of the Klein activities are carried out under half disguise. If his employers and sources of income, governmental and private, were clearly known and on the record, some of his activities would be more benign. Instead, he trades on his friendships and political associations, and perpetuates the notion that he is everyone's friend.

One example of the manner in which he operates was a telegram which he sent to you three days prior to the German elections of September 1961, in which he suggested "as an American citizen" that you had an obligation to express more open support for Chancellor Adenauer personally before election day because of the "twisted" interpretations being placed on the mission of Vice President Johnson. Unless you did so, he suggested,

Adenauer might well lose the election and Khrushchev would earn an easy victory. Nothing was done about this, of course, and General Kilein has been obviously uneasy at the difficulty he has had in establishing a clear association with you or with the White House. This has lead him to strained attempts, such as his transmittal only last week to reporters of a statement placed in the record on his behalf by Senator Edward Long of Missouri, whom his firm calls in the covering letter "a leading Democrat and a close associate of President Kennedy."

Frederick L. Holborn